THE MANITOBA MILK PRODUCERS' MARKETING BOARD

17TH ANNUAL REPORT 1991

JOHN AND MARY DYCK AND SON, MORDEN, MANITOBA
WINNER 1990 FARM BEAUTIFICATION AWARD

DON SMITH, ROSEWOOD BULK MILK HAULING LTD.
1990 BULK MILK GRADER AWARD WINNER

92-03985/

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CHAIRMAN'S ADDRESS

A Year of Change

During the 1990/1991 dairy year Manitoba dairy farmers had to deal with quota policy changes on a scale that had not been seen for more than a decade.

These changes were in response to major changes evolving in domestic dairy product disappearance. These changes continue to demand a lot of study and understanding from producers as to their need and function in the milk supply management system.

This year the National Dairy Task Force presented its final report containing 23 recommendations for the continued evolution of supply management. This major policy document which took two years of negotiation is supported by producers, processors and consumers. The Board's major areas of activity continued to be milk marketing, bulk milk transportation, policy development and advertising and promotion.

Milk marketing activities have focused on both fluid and industrial milk pricing. While the cost of dairy products to the consumer has increased at a slower pace than the consumer price index for food, the milk producer share of the consumer dollar, spent on dairy products, has continued to shrink. This year there has been greater pressure to allocate milk to more fresh products manufacture such as cheese.

The workload of the Board has increased as more time was consumed in consultations with different groups created by government and industry related to dairy policy review. These demands on Board members and staff have created increased costs at a time when Board revenues are dropping.

The Board has continued to cut expenses so as to maximize producer returns. The major cost cutting measures introduced this year are a new transporter rate formula, an early retirement program and more effective allocation of advertising and promotion dollars.

Out of the difficult market place came a number of opportunities for the dairy industry to grow. These opportunities lie in new product initiatives, joint projects with processors and research and development. The future of our industry relies on our ingenuity in the use of these opportunities.

I want to express my appreciation to our staff for their dedication in getting the job done. I thank all those with whom I have had the pleasure of working during the last year and I look forward to a brighter future for our industry.

REPORT FROM THE BOARD

Board/District Meetings

In the period August 1, 1990 to July 31, 1991, there was a total of 20 regular Board meetings convened. Thirty-two days were involved as a number of the meetings were in session for two days. In addition, Members attended committees of the Board, participated in seminars and served in other organizations on behalf of the Board.

District Elections

Nominations were called during October, 1990 for producers to serve as Member of the Board to represent Districts No. 1, 4, and 7. Messrs. N. Andrew, C. J. Knockaert, and A. E. Ens respectively, were re-elected by acclamation to serve for a further three-year term.

There was an election in District No. 2 to fill the vacancy due to the resignation of J. Van den Ham effective June 19, 1990. Mr. H. M. Jameson of Brandon was elected to complete the term to December 1991.

Elections will be held this year in District No. 2 (H. M. Jameson), District No. 5 (A. Goresky) and No. 8 (L. Balcaen).

District Meetings

Sixteen spring meetings were held in the nine districts during the period April 8 to 26, 1991.

In accordance with the Administration By-Law 3/89 of the Board, Annual District Meetings were held during the period October 1 to 31, 1991. Notice of meeting, accompanied with municipal breakdown for the districts, was mailed to all registered producers in the province. Reproductions of notice of meeting and municipal breakdown appear on the next two pages.

District Milk Committees

The Board has supported a system of 9 district milk committees consisting of nine elected milk producers. The committees support the policy development by acting as advisors to the Board members.

Many issues were discussed with the committees before policy was enunciated namely, multiple component pricing, name change, market expansion budget and market opportunities.

DISTRICT BOARD MEMBERS

District #1	Norman Andrew	Rossburn
District #2	Hugh Jameson	Brandon
District #3	Craig Finnie, Executive Member	Portage la Prairie
District #4	Charles Knockaert	Bruxelles
District #5	Allan Goresky	Stonewall
District #6	Neil Van Ryssel, Vice-Chairman	Oakbank
District #7	Abe Ens	Winkler
District #8	Louis Balcaen, Chairman	La Broquerie
District #9	Kenneth Leppky	Otterburne

THE MANITOBA MILK PRODUCERS' MARKETING BOARD
36 Scurfield Boulevard Winnipeg Manitoba R3T 3N5
Phone (204) 488-6455 Fax (204) 488-4772

NOTICE OF ANNUAL DISTRICT MEETINGS 1991

Annual District Meetings of The Manitoba Milk Producers' Marketing Board will be held at 8:00 P.M. on the dates listed below:-

District 1	Tuesday October 15	SHOAL LAKE, Manitoba Buffalo Plains Inn
District 2	Wednesday October 16	BRANDON, Manitoba Agricultural Extension Centre
District 3	Wednesday October 30	PORTAGE LA PRAIRIE, Manitoba Westward Village Inn
District 4	Wednesday October 23	BRUXELLES, Manitoba Parish Hall
District 5	Monday October 21	TEULON, Manitoba Teulon Centennial Hall
District 6	Monday October 28	OAKBANK, Manitoba Kin Place
District 7	Thursday October 24	WINKLER, Manitoba Winkler Senior Centre Corner 6th & So. Railway
District 8	Tuesday October 22	LA BROQUERIE, Manitoba Centre de L'Amitie
District 9	Tuesday October 29	GRUNTHAL, Manitoba Green Valley School Library

ELECTIONS FOR BOARD MEMBER will be conducted this year in Districts No. 2, 5 and 8. Official nomination papers are available on request from the Secretary or may be obtained at the time of the meeting in the districts in which an election is to be held.

The following subjects will be discussed plus any that you wish to raise.

1. Introduction
2. Quota Policy 1991-92
3. Multiple Component Pricing
4. Fluid Skim Off
5. Market Projection
6. Operating Budget
7. Dairy Task Force
8. Name Change
9. Raw Milk Sales
10. Election of D.M.C. Members
11. Other Business

In the event it is inconvenient for you to attend the Annual District Meeting scheduled for your area, you are welcome to attend any other Annual District Meeting.

Dated at Winnipeg in Manitoba this 23rd day of September, 1991.

THE MANITOBA MILK PRODUCERS' MARKETING BOARD
36 Scurfield Boulevard
WINNIPEG, MANITOBA
R3T 3N5

Pursuant to Section 1 of this Administration By-Law, the following nine districts are established composed of the Municipalities hereinafter set out opposite the number of each district

District #1
Alonsa
Archie
Birtle
Blanshard
Boulton
Clanwilliam
Consol
Dauphin
Ellice
Ethelbert
Gilbert Plains
Glenella
Grandview
Hamiota
Harrison
Hillsburg
Lawrence
McCreary
Miniota
Minitonas
Minto
Mossey River
Mountain #1
Mountain #2
Ochre River
Odanah
Park 1
Park 2
Rosedale
Rossburn
Russell
Ste. Rose
Saskatchewan
Shellmouth
Shell River
Shoal Lake
Silver Creek
Strathclair
Swan River
The Pas District

District #2
Albert
Arthur
Brenda
Cameron
Cornwallis
Daly
Edward
Elton
Glenwood
Morton
North Cypress
Oakland
Pipestone
Riverside
Sifton
Wallace
Whitehead
Whitewater
Winchester
Woodworth

District #3
Cartier
Grey
Lakeview
Langford
Lansdowne
North Norfolk
Ptge.la Prairie
Westbourne

District #4
Argyle
Dufferin
Lorne
Louise
Pembina
Roblin
South Cypress
South Norfolk
Strathcona
Thompson
Turtle Mountain

District #5
Armstrong
Bifrost
Coldwell
Eriksdale
Fisher
Gimli
Grahamdale #1
Grahamdale #2
Rockwood
St. Laurent
Siglunes
Woodlands

District #6
Alexander
Brokenhead
Lac Du Bonnet
McDonald
Pinawa
Reynolds
Richot
Rosser
St. Andrews
St. Clements
St. Francois Xavier
Springfield
Victoria Beach
Whitemouth
Winnipeg Area

District #7
Franklin
Montcalm
Morris
Rhineland
Roland
Stanley

District #8
La Broquerie
Piney
Ste. Anne
Stuartburn
Tache

District #9
De Salaberry
Hanover

STANDING ADVISORY COMMITTEES

Executive: L. Balcaen, N. Van Ryssel, C.Finnie

Cost of Production

L. Balcaen
A. E. Ens
C. Finnie
C.J. Knockaert

Cream Advisory

L. Balcaen
A. Goresky
H. Jameson

Market Expansion

N. Andrew
C.J. Knockaert
K. P. Leppky
N. Van Ryssel

Transportation

A. E. Ens
C. Finnie
A. Goresky
H. Jameson

Canadian Milk Supply Management

L. Balcaen
C. Finnie

Dairy Bureau of Canada

C. J. Knockaert

Dairy Farmers of Canada

L. Balcaen
N. Ryssel

Finance

N. Van Ryssel
L. Balcaen
C. Finnie

Multiple Component Pricing

L. Balcaen
K. P. Leppky
N. Van Ryssel

Research

C. Finnie
K. P. Leppky
N. Van Ryssel

Manitoba Agricultural Employment Development

C. Finnie

Manitoba Milk Recording

N. Van Ryssel

NACDAI

N. Van Ryssel

Keystone Agricultural Producers

N. Van Ryssel

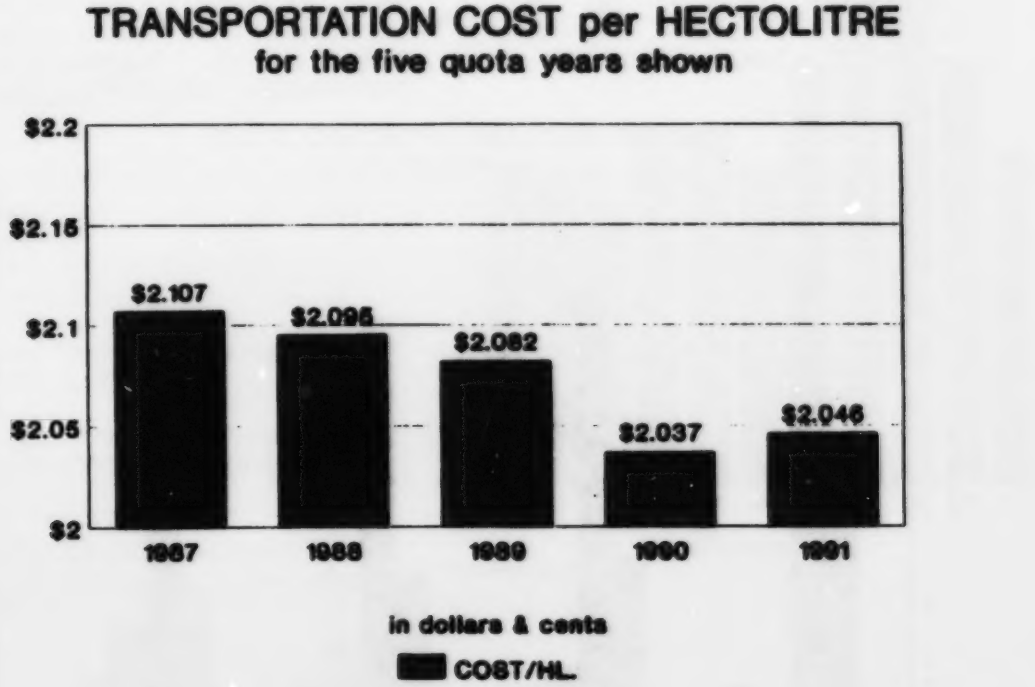
TRANSPORTATION

New Rates in Place

During the past year, the Board and transporters successfully negotiated a complete overhaul of the formula used in payment for bulk milk hauling. The new formula includes incentives for transporters to become more efficient and upgrade to larger transport units. The Board is confident that the new formula, with the co-operation of transporters, will result in milk transportation cost increases being minimized.

The total cost of transportation in 1990/91 was $5,509,793 which is a decrease of 1.77% from last year. Diversion costs for 1990/91 were $1,993 less than last year, for a decrease of 1.89 percent.

Farm bulk tank calibration has been another focus of attention from the Board. As more processors move to properly calibrated meter devices for milk receiving, our goal is to minimize the discrepancies between manifest total and metered volume.



MARKET EXPANSION ACTIVITIES

Aggressive Program Pursued

The Board's aggressive fluid milk campaign results were better than last year in that the sales decrease has slowed down.

Adverse market conditions, due to many factors, continue to change and affect the Board's advertising and promotion programs.

Over half of the Fluid Milk Promotions Program costs were spent on mass media including television, radio and print advertising.

The goal of nutrition education programs offered by the Board is to increase the consumption of milk and milk products by highlighting the importance of dairy products in a healthy diet.

The Board has capitalized on excellent opportunities to get this good dairy message across through nutrition programs with teachers, day care workers, home economists, dieticians, nurses and other health professionals.

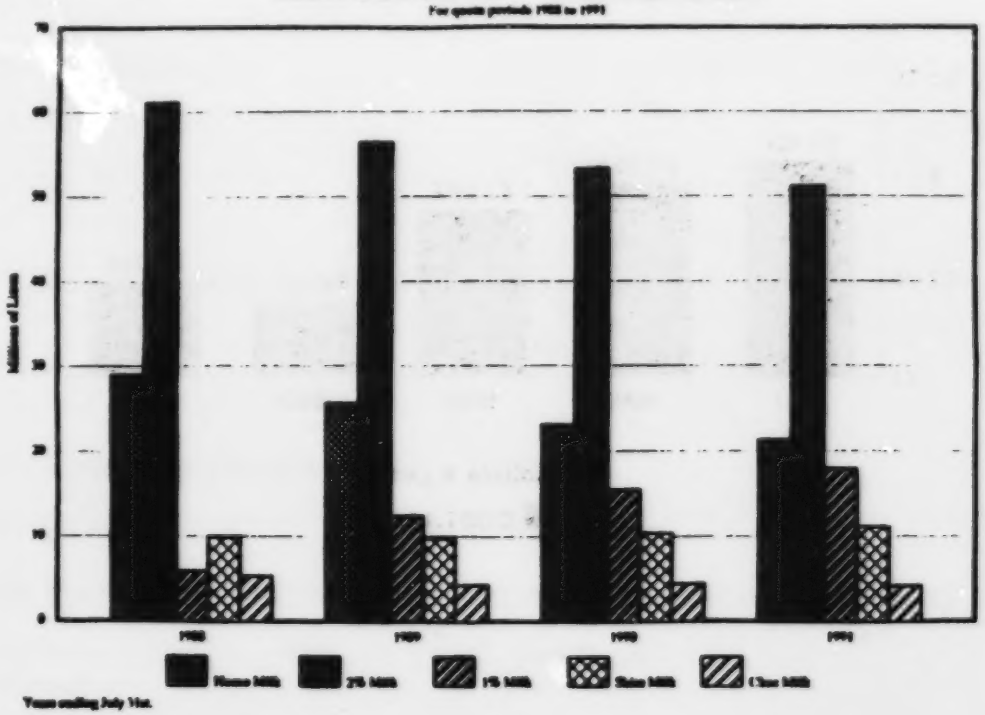
They are also using our milk message in their own nutrition programming.

The School Milk Program has completed another year of growth. Schools participating are up 9% and milk consumption is up 14% over last year. The program was modified to answer the controversy over commercial intrusion into the schools and the concern over the amount of packaging waste in milk cartons.

The Dairy Bureau of Canada, which carries out generic industrial milk advertising programs has placed priority on butter and cheese in 1990/91. Manitoba producers contributed $900,000 to Bureau advertising, scientific research, nutrition and dairy case training.

The worldwide consumer shift to lower fat dairy products has taken its toll in traditional dairy product sales. The Board and Bureau activity has been and will continue to be focused on increasing dairy product disappearance and improving the dairy product image.

MANITOBA CLASS 1 FLUID MILK SALES



MARKET SHARE QUOTA

Provincial M.S.Q. was reduced 3% commencing August 1, 1990 for the new dairy year 1990/91.

The T.A.P. base in Manitoba for the new dairy year commencing August 1, 1990 was estimated to be 696,853 litres per day.

T.A.P.	317,379	fluid*
	379,474	industrial**
	696,853	T.A.P.

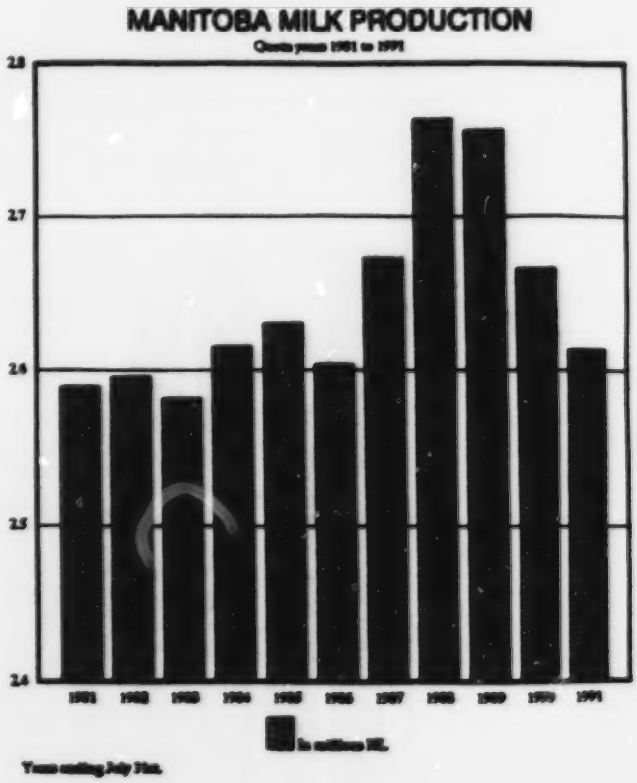
*estimated fluid sales milk & cream plus **5,152,510 kg at 3.720 kg/HL over 365 days.

The following quota policy was announced effective August 1, 1990:

1. Active T.A.P. issued to producers August 1, 1990 remains unchanged.
2. No cover-off policy.
3. In-quota levy was increased from $2.90/HL to $3.44/HL.
4. Over-quota levy was increased from $29.50/HL to $33.00/HL.

Producers were advised there would be no refunds of over-quota levies after July 31, 1991.

An extensive producer education program was conducted by the Board to encourage all producers to be individually responsible for ingredients marketed from their farms. TAP quotas were converted to kilograms of butterfat effective August 1, 1991.

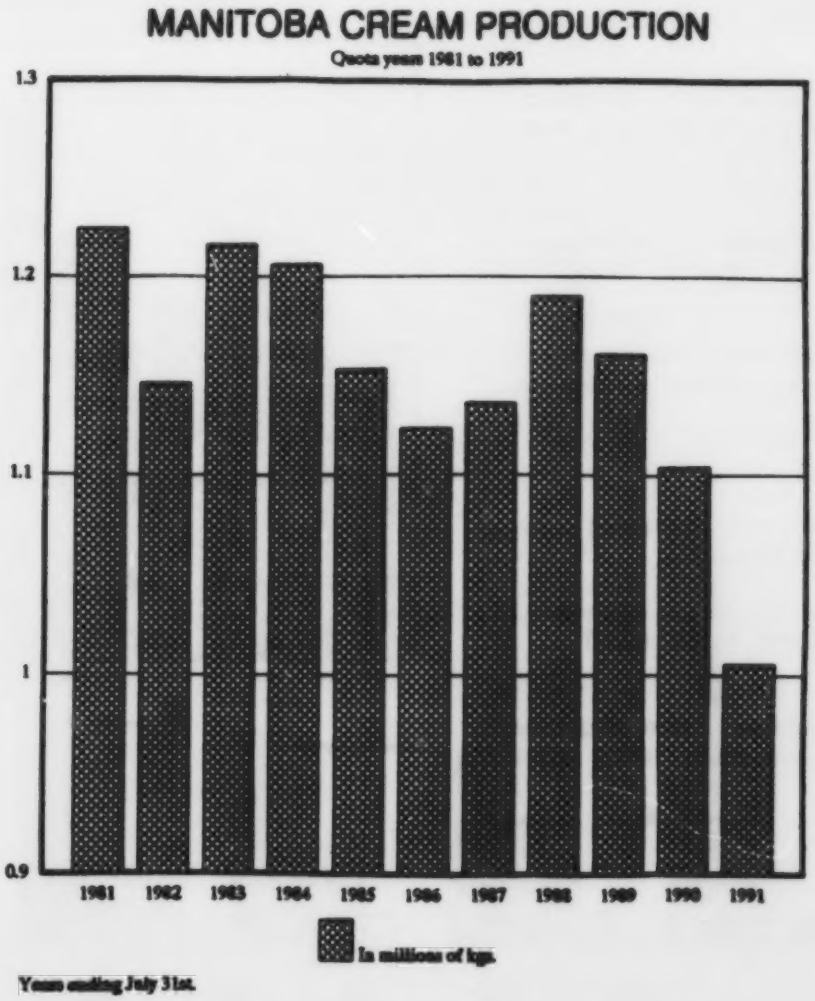


FARM SEPARATED CREAM PRODUCTION

The Board managed 1.17 million kilograms of market sharing quota allocated to 831 cream producers. The cream special block remained unchanged for the 1990/1991 dairy year. An administration levy of 6.5 cents/kg of butterfat and market expansion levy of 2.0 cents/kg of butterfat were charged on 1.17 million kilograms. Cream producers filled 93.63% of the block of M.S.Q. allocated.

Board staff processed 260 permanent transfers and 326 temporary transfers during the year. Two new policies for cream were introduced effective August 1, 1990 and they were the Cream Conversion Policy and the Cream Monthly Quota Exchange.

Levies for costs related to the operation of the Canadian Dairy Commission offer to purchase programs were charged on all industrial milk and $6.462 million were paid to the C.D.C.



MANITOBA MILK POOL RESULTS

MANITOBA MILK POOL RESULTS
August 1990 to July 1991
Total Manitoba Production – 281,327,840

Basis 3.6 KG/HL

	Litres each Class	Value per HL	Net Pool Revenue
Class 1	106,297,484	$58.30	
Class 2	7,089,910	46.97	
Class 2A	10,490,111	46.03	
Class 2B	6,567,091	46.04	
Class 3	44,564,060	41.98	
Class 3A	30,290,639	42.65	
Class 4	3,666,048	43.99	
Class 5	38,012,088	42.31	
Class 6	77,766	41.87	
Class 7	252,340	44.23	
Meter Shrinkage	381,101	0.00	
Unsaleable	122,036	42.06	
Production within T.A.P./D.E.	248,149,824	$49.48113	
Less Diversion Costs		0.03877	
Meter Shrinkage		(0.00379)	
Pool Administration		0.14000	
MFC Laboratory Charge		0.06660	
Price/HL within T.A.P./D.E.		$49.23151	$122,167,804.62
Price/HL production over D.E.	2,039,183	$41.73715	$51,088.56
Price/HL production over T.A.P.	11,118,554	$41.65211	4,631,112.57
Price/HL Institutional	20,499	$41.73369	8,554.99
TOTAL POOL	281,327,840		$127,659,560.74
TOTAL POOL 1989/90	266,576,625		$127,311,625.21

FLUID AND INDUSTRIAL UTILIZATION SUMMARY

Man. Production Within 100% T.A.P.		250,209,290	100.0000%
Less litres ineligible for Subsidy:			
Class 1 Sales	106,297,484		
Add 8.0% for creams	8,503,797	114,801,281	45.8821 %
Balance used for manufactured products (eligible for subsidy)		135,408,009	54.1179 %
Over/T.A.P. Production		11,118,554	

Average butterfat content 3.70011 kg/HL in Manitoba Production

FEDERAL SUPPORT PRICES & SUBSIDIES

FEDERAL DAIRY PRODUCT SUPPORT PRICES
1989 – 1991
(Dollars per kilogram)

	Skim Milk Powder	Butter
August 1, 1989	3.048	5.167
August 1, 1990	3.130	5.331
August 1, 1991	3.304	5.331

PRICES PAID BY PROCESSORS FOR EACH CLASS OF UTILIZATION
(Dollars per hectolitre)

	June 1990	September 1990	June 1991	September 1991
Class 1	57.31	57.31	58.82	58.82
Class 2	45.77	47.01	47.01	48.24
Class 2A	45.06	46.30	45.38	46.61
Class 2B	44.84	46.06	46.06	47.31
Class 3	40.96	42.06	42.06	43.29
Class 3A	41.56	42.74	42.74	43.97
Class 4	42.60	43.84	43.84	45.07
Class 5	41.07	42.31	42.31	43.54
Class 6	40.96	42.06	42.06	43.29
Class 7	40.96	42.06	42.06	43.29

MILK PRICING

Industrial Price Negotiations

On August 1st, 1990 the Canadian Dairy Commission increased the target support price for industrial milk by $1.24/HL.

In its negotiations with Manitoba processors the Board was able to achieve increases on all classes of industrial milk. Manitoba is the only province in Canada where processors were not prepared to pay the $1.24/HL increase on all industrial milk.

Milk pricing continues to be a major focus for the Board.

Fluid Price Negotiations

The Milk Prices Review Commission has the authority to set producer prices for fluid milk.

This year the Board has had six meetings with the MPRC and numerous technical discussions with Commission staff regarding butterfat differential and the fluid milk pricing formula.

Skim Off

Consumers' attitudes that fat is unhealthy have led to a rapid growth in lower fat dairy products. This, in turn, has led to a growing volume of surplus butterfat in the form of skim off.

Fluid skim off has an impact on the industrial milk sector and inevitably, on the Canadian MSQ. In 1970, fluid skim off represented about 5% of total industrial milk for domestic requirements. This ratio has increased to 13% by 1990. Most of the 1990/91 dairy year quota cut were due to fluid skim off encroachment on industrial markets.

The Board is working on solutions to alleviate the fluid skim off problem such as raising butterfat standards in fluid and cream products. Fluid skim off is a major issue which must be dealt with immediately due to its growth every year.

Cost of Production Study

The Cost of Production study, started in 1986 by the Board, is conducted by the Brandon accounting firm of Meyers Norris Penny & Co.

The study's overall objective is to provide sound information on the actual costs of milk production incurred by the producers of Manitoba. This information is then utilized by the Board and other agencies, including government, the Canadian Dairy Commission, and producers themselves for policy and operating decisions.

Negotiations between the MMPMB and the CDC has led to the study being included, for the first time, in the 1991 national industrial milk price calculation. The Manitoba Milk Prices Review Commission is also currently considering using the Manitoba COP to set fluid milk prices in this province.

The 1990 COP study had 70 producers, randomly chosen, providing valuable financial information on dairy farm costs.

Costs of the study are shared equally by the Manitoba Government, the Canadian Dairy Commission, and The Manitoba Milk Producers' Marketing Board.

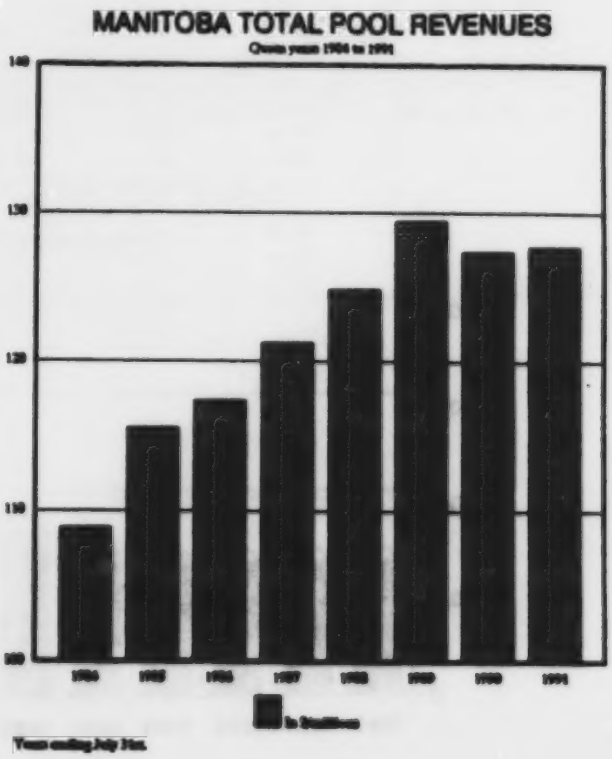
The Board would like to thank all participating producers for their time and effort in contributing information to the study as it is a five year commitment.

Review of Milk Production and Marketing

Manitoba milk production for the dairy year ending July 31, 1991 was 261,327,840 litres which was a decrease of 5,248,685 litres or 1.97% over the previous dairy year. An average of 21,777,320 litres per month was shipped by Manitoba milk producers. The lowest production on a daily average was 672,736 litres in July 1991 and the highest daily average was 737,509 litres in January 1991.

Manitoba's average butterfat test for the 1990/91 dairy year was 3.7011 kg/HL down .00327 kg/HL over the previous dairy year.

Canadian markets for industrial milk products decreased significantly over the previous dairy year resulting in a net decrease of 5% in domestic requirements. Consumption fell in butter (-5%), cheddar cheese (-4%) and in ice cream (-1%) while processed cheese and yogurt remained relatively stable. Specialty cheese consumption rose 2% from last year.



[redacted]

John E. Hutchings, M.A. (Oxon), C.A.
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Richard F. Hutchings, B.A., C.A.
Larry H. Forster, B.Sc., B.Ed., C.A.
J. Blair Lawson, B.Sc., B.Comm. (Hons.), C.A.

To the Registered Producers of The Manitoba
Milk Producers' Marketing Board:

We have audited the consolidated statement of financial position of The Manitoba Milk Producers' Marketing Board as at July 31, 1991 and statements of operations of milk pool, administrative, transportation, quota exchange, market expansion and northern allowance funds and MFC Testing and Research Inc. and consolidated statement of changes in cash position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Board as at July 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Hutchings May + Co.

Winnipeg, Manitoba
September 12, 1991

CHARTERED ACCOUNTANTS.

WINNIPEG 326 Wardlaw Ave. Winnipeg Manitoba Canada R3L 0L8 Tel. 204 284 7957 Fax 204 453 1243
ALTONA Box 1026 Altona Manitoba Canada R0G 0B0 Tel. 204 324 6376 Fax 204 453 1243

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 1991

Exhibit A

	1991	1990
CURRENT ASSETS:		
Cash	$ 3,047,426	$ 2,218,310
Accounts receivable	10,607,326	10,446,847
Prepaid expenses	81,565	93,318
Total current assets	13,736,317	12,758,475
CURRENT LIABILITIES:		
Producer cheques – unissued	9,372,250	9,099,291
Accounts payable and accrued liabilities	4,166,697	3,441,996
Total current liabilities	13,538,947	12,541,287
WORKING CAPITAL	197,370	217,188
PROPERTY, BUILDING AND EQUIPMENT:		
Cost	1,719,041	1,617,728
Less accumulated depreciation	(475,261)	(380,981)
Net property, building and equipment	1,243,780	1,236,747
REGISTERED PRODUCERS' EQUITY AND CAPITAL EMPLOYED	$ 1,441,150	$ 1,453,935
Represented by retained income (deficit) in following:		
Board funds –		
Milk Pool Administration (Ex.C)	$ 2,415,877	$ 2,220,349
Board General (Ex.C)	(593,733)	(605,697)
Market Sharing Plan (Ex.C)	(144,443)	(79,695)
Transportation (Ex.D)	–	–
Quota Exchange (Ex.E) – milk	152,456	260,920
–cream	5,471	–
Market Expansion (Ex.F)	–	–
Northern Allowance (Ex.G)	67,824	47,988
Butterfat Limit Penalty (Ex. H)	–	–
	1,903,452	1,843,865
Subsidiary Company –		
MFC Testing and Research Inc. (Ex. I)	(462,302)	(389,930)
	$ 1,441,150	$ 1,453,935

Approved by the Members

Craig Finnie

Craig Finnie

Neil Van Ryssel

Neil Van Ryssel

STATEMENT OF MILK POOL FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1991

Exhibit B

	1991	1990
INCOME:		
Milk sold to processors	$129,892,377	$129,611,518
Total income	129,892,377	129,611,518
DISTRIBUTION:		
Payments to producers	113,278,103	114,022,748
Deductions for Board controlled funds:		
Milk Pool Administration (Ex.C)	365,859	373,207
Board General (Ex.C)	506,976	517,158
Market Sharing Plan (Ex.C)	205,138	212,079
Market Expansion (Ex.F)	2,012,225	1,979,076
Transportation (Ex.D)	5,509,783	5,609,318
Northern Allowance (Ex.G)	71,604	73,042
Butterfat Limit Penalty (Ex.H)	467,349	-
Deductions determined by others:		
Canadian Dairy Commission	7,073,850	6,424,397
Manitoba Milk Recording Corporation	78,399	79,973
Keystone Agricultural Producers	52,350	57,075
Other deductions:		
Quality penalty levy (Ex.C)	88,078	76,920
MFC Testing and Research Inc. (Ex. I)	182,663	186,525
Total distribution	129,892,377	129,611,518
UNDISTRIBUTED INCOME FOR THE YEAR	-	-
UNDISTRIBUTED INCOME AT BEGINNING AND END OF THE YEAR	$ -	$ -
VOLUME OF MILK (in thousand litres)	261,328	266,577

STATEMENT OF ADMINISTRATIVE FUNDS OPERATIONS
FOR THE YEAR ENDED JULY 31, 1991

Exhibit C

	Milk Pool Administration	Board General	Market Sharing	Total 1991	Total 1990
INCOME:					
Deductions (Ex.B)					
Milk producers	$ 365,859	$ 506,976	$ 205,138	$ 1,077,973	$ 1,102,444
Quality penalties	88,078	-	-	88,078	76,920
Cream producers	-	-	65,258	65,258	64,210
Interest	479,884	-	-	479,884	476,631
Other	-	12,735	-	12,735	10,043
Excess over quota levy retained	-	-	-	-	234,714
	933,821	519,711	270,396	1,723,928	1,964,962
EXPENSE:					
Annual meetings	-	25,574	-	25,574	30,458
Antibiotic milk losses	51,818	-	-	51,818	112,527
Communication	23,462	15,558	13,018	52,038	52,482
Data processing	15,417	-	10,190	25,607	24,756
Depreciation	26,729	6,519	14,342	47,590	36,274
Members (Note 4)	-	217,497	20,571	238,068	213,356
Memberships	-	51,224	-	51,224	46,464
Milk sample costs	41,505	-	-	41,505	41,370
Occupancy	25,018	6,102	13,424	44,544	40,851
Office supplies	27,857	5,509	9,658	43,024	39,102
Professional fees	10,200	104,297	16,800	131,297	152,515
Grants	-	31,542	-	31,542	32,700
Staff restructuring	88,254	15,216	48,692	152,162	-
Salaries and benefits	314,260	54,113	173,370	541,743	495,425
Staff travel	8,538	10,026	10,927	29,491	38,439
Other	39,838	24,680	4,152	68,670	47,788
Recovered (Note 1C)	-	(60,110)	-	(60,110)	(57,350)
	672,896	507,747	335,144	1,515,787	1,347,157
NET INCOME (LOSS) FOR THE YEAR	260,925	11,964	(64,748)	208,141	617,805
PAYMENT TO RETIRED PRODUCERS (Note 6)	(121,444)	-	-	(121,444)	37,266
APPROPRIATION (TO) FROM OTHER FUNDS	56,047	-	-	56,047	(1,194)
RETAINED INCOME (DEFICIT) AT BEGINNING OF THE YEAR	2,220,349	(605,697)	(79,695)	1,534,957	881,080
RETAINED INCOME (DEFICIT) AT END OF THE YEAR	$ 2,415,877	$ (593,733)	$(144,443)	$ 1,677,701	$ 1,534,957

STATEMENT OF TRANSPORTATION FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1991

Exhibit D

	1991	1990
INCOME:		
Producer deductions (Ex.B)	$ 5,509,783	$ 5,609,318
EXPENSE:		
Transporter payments:		
Assigned plant deliveries	5,312,183	5,409,617
Diversions	103,708	105,701
Extra pick-up	3,892	4,000
Salaries and benefits	90,000	90,000
	5,509,783	5,609,318
NET INCOME FOR THE YEAR	-	-
RETAINED INCOME AT BEGINNING OF THE YEAR	-	-
RETAINED INCOME AT END OF THE YEAR	$ -	$ -

STATEMENT OF QUOTA EXCHANGE FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1991

Exhibit E

Milk

	1991	1990
INCOME:		
Quota sales to successful buyers	$ 5,380,153	$ 5,012,585
Interest income	24,468	26,131
	5,404,621	5,038,716
EXPENSE:		
Quota purchases from successful sellers	5,513,085	4,893,191
NET INCOME (LOSS) FOR THE YEAR	(108,464)	145,525
RETAINED INCOME AT BEGINNING OF THE YEAR	260,920	115,395
RETAINED INCOME AT END OF THE YEAR	$ 152,456	$ 260,920

Cream

INCOME:		
Quota sales to successful buyers	$ 140,410	$ -
Interest income	1,747	-
	142,157	
EXPENSE:		
Quota purchases from successful sellers	136,686	-
NET INCOME FOR THE YEAR	5,471	-
RETAINED INCOME AT BEGINNING OF THE YEAR	-	-
RETAINED INCOME AT END OF THE YEAR	$ 5,471	$ -

STATEMENT OF MARKET EXPANSION FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1991

Exhibit F

	1991	1990
INCOME:		
Producer deductions – (Ex.B)	$ 2,012,225	$ 1,979,076
Cream	20,080	22,087
	2,032,305	2,001,163
EXPENSE:		
Media advertising –		
National – Dairy Bureau of Canada	1,330,348	1,191,077
Provincial	154,406	199,334
Depreciation	17,602	13,417
Members' per diem and travel (Note 4)	3,058	6,021
Occupancy	16,475	15,109
Postage and telecommunication	25,874	23,669
Special event sponsorship	4,348	39,589
Promotional materials	136,119	228,684
Salaries and benefits	216,964	206,339
Staff travel	27,658	35,019
Other	43,406	44,099
	1,976,258	2,002,357
NET INCOME (LOSS) FOR THE YEAR	56,047	(1,194)
APPROPRIATION (TO) FROM MILK POOL ADMINISTRATION FUND	(56,047)	1,194
RETAINED INCOME AT BEGINNING OF THE YEAR	–	–
RETAINED INCOME AT END OF THE YEAR	$ –	$ –

STATEMENT OF NORTHERN ALLOWANCE FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1991

Exhibit G

	1991	1990
INCOME:		
Producer deductions (Ex.B)	$ 71,604	$ 73,042
EXPENSE:		
Payments to northern producers	51,768	66,801
NET INCOME FOR THE YEAR	19,836	6,241
RETAINED INCOME AT BEGINNING OF THE YEAR	47,988	41,747
RETAINED INCOME AT END OF THE YEAR	$ 67,824	$ 47,988

STATEMENT OF BUTTERFAT LIMIT PENALTY
FOR THE YEAR ENDED JULY 31, 1991

Exhibit H

		1991		1990
INCOME:				
Producer deductions (Ex.B)	$	467,349	$	N/A
EXPENSE:				
Distribution to producers		467,349		N/A
NET INCOME FOR THE YEAR		-		N/A
RETAINED INCOME AT BEGINNING OF THE YEAR		-		N/A
RETAINED INCOME AT END OF THE YEAR	$	-	$	N/A

STATEMENT OF MFC TESTING & RESEARCH INC. OPERATIONS
FOR THE YEAR ENDED JULY 31, 1991

Exhibit I

	1991	1990
INCOME:		
Component testing fees –		
Producer deductions (Ex.B)	$ 182,663	$ 186,525
Processors	11,034	4,006
Milk recording program	186,151	155,799
Other income	1,000	–
	380,848	346,330
EXPENSE:		
Board members' per diems and travel (Note 4)	653	1,489
Courier service	24,646	35,617
Data processing	1,385	4,690
Depreciation	46,308	45,284
Insurance	1,987	1,650
Interest (Note 1C)	35,184	32,426
Laboratory supplies	27,691	56,804
Maintenance	5,321	–
Occupancy (Note 1C)	24,958	24,924
Office supplies	1,120	4,855
Other	2,854	5,323
Professional fees	57,344	56,009
Salaries and benefits	221,428	188,624
Travel	2,341	2,528
	453,220	460,223
(LOSS) FOR THE YEAR	(72,372)	(113,893)
(DEFICIT) AT BEGINNING OF THE YEAR	(389,930)	(276,037)
(DEFICIT) AT END OF THE YEAR	$ (462,302)	$ (389,930)

CONSOLIDATED STATEMENT OF CHANGES IN CASH POSITION
FOR THE YEAR ENDED JULY 31, 1991

Exhibit J

	1991	1990
OPERATING ACTIVITIES:		
Net income(loss) of funds –		
Administrative funds (Ex.C)	$ 208,141	$ 617,805
Transportation fund (Ex.D)	–	–
Quota exchange fund (Ex.E) – milk	(108,464)	145,525
– cream	5,471	–
Market expansion fund (Ex.F)	56,047	(1,194)
Northern Allowance fund (Ex.G)	19,836	6,241
Milk pool fund (Ex.B)	–	–
	181,031	768,377
(Loss) of subsidiary –		
MFC Testing and Research Inc.(Ex.I)	(72,372)	(113,893)
	108,659	654,484
Non–cash items included in above –		
Other	(2,195)	–
Depreciation	111,500	94,975
	217,964	749,459
INVESTING ACTIVITIES:		
Proceeds on disposal of equipment	6,500	–
Purchase of property, building and equipment	(122,835)	(39,309)
	(116,335)	(39,309)
FINANCING ACTIVITIES:		
Payment to retired producers	(121,444)	37,266
	(121,444)	37,266
INCREASE (DECREASE) IN WORKING CAPITAL POSITION FOR THE YEAR	(19,815)	747,416
CASH PROVIDED BY (USED IN) OPERATION OF NON–CASH WORKING CAPITAL COMPONENTS	848,931	(481,364)
INCREASE IN CASH POSITION FOR THE YEAR	829,116	266,052
CASH POSITION AT BEGINNING OF THE YEAR	2,218,310	1,952,258
CASH POSITION AT END OF THE YEAR	$ 3,047,426	$ 2,218,310

( ) denotes use of cash

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 1991

1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

The Manitoba Milk Producers' Marketing Board is a body corporate established under The Natural Products Marketing Act of the Province of Manitoba in 1974. The Board is responsible for the control and regulation of the marketing of milk in the province.

(a) MILK POOL FUND

Selling prices - The value of milk sold to processors is determined by its final product use. The Board sets the prices charged to processors except for Class I milk which is set by the Manitoba Milk Prices Review Commission. For purposes of accountability to producers the Board credits income from processor sales to a milk pool fund.

Cost of sales - Income from processor sales in the milk pool fund referred to above is paid to the individual producers based on the quality and quantity of milk shipped.

The operation of the milk pool is accounted for in Exhibit B.

(b) PRODUCER DEDUCTION FUNDS

Operating Expenses - The Board is authorized through provincial statute to deduct fees from producer milk pool payments to cover operating expenses. Such deductions are accounted for separately in Exhibits C, D, F, G H and I.

(c) BASIS OF CONSOLIDATION

The Board and its wholly owned subsidiary MFC Testing and Research Inc. are considered to be one economic entity for accounting purposes. Accordingly, these financial statements are presented on a consolidated basis. However certain transactions between the Board general fund and the subsidiary cannot be eliminated in the respective statements of operations because the Board, by government regulation, follows the fund basis of accounting. The resulting related party transactions not eliminated on consolidation are as follows:

	1991	1990
Interest	$35,184	$32,426
Occupancy	24,926	24,924
	$60,110	$57,350

(d) **PROPERTY, BUILDING, EQUIPMENT AND RELATED DEPRECIATION**

Property, building and equipment are stated at cost. Depreciation is provided for on the straight-line basis over an estimated life of five years for office equipment, ten years for laboratory equipment and thirty years for the building.

(e) **INCOME TAXES**

The Board's subsidiary company is a taxable Canadian corporation accounting for income taxes under the tax allocation method. The subsidiary incurred losses in 1989, 1990 and 1991 which are not certain of utilization. Accordingly the tax reductions that may result from the application of these losses have not been recognized in the accounts as explained in Note 7.

2. **COMMITMENTS:**

Operating lease for office equipment at base rental of $10,665 per annum until March, 1994.
Lease payments in the next 5 fiscal years are:
1992 - $12,856; 1993 - $14,655; 1994 - $9,209; 1995 - nil; 1996 - nil.

3. **PENSION PLAN:**

Employees of the Board participate in the Manitoba Civil Service Superannuation Board pension plan which is a defined benefit plan. The Board participates in the plan on a defined contribution basis whereby it contributes to the plan a fixed amount equal to the amount contributed by the employees.

4. **ELECTED MEMBERS PER DIEM AND TRAVEL EXPENSES:**

Members are paid a per diem of $160 ($153 - 1990) and the Chairman $202 ($192 - 1990) for time spent at meetings or on business matters of the Board. In addition, the Chairman is paid an annual stipend of $20,000.

District	Per Diem	Expenses
#1 Norm Andrew	$12,928.	$11,327.
#2 Hugh Jameson	7,019.	4,877.
#3 Craig Finnie	17,066.	13,395.
#4 Charles Knockaert	12,089.	8,708.
#5 Allan Goresky	9,345.	3,453.
#6 Neil Van Ryssel (Vice Chairman)	21,338.	9,940.
#7 A. Ens	9,680.	6,566.
#8 Louis Balcaen (Chairman)	62,347.	14,598.
#9 Ken Leppky	10,977.	6,126.
1991	**$162,789.**	**$ 78,990.**
1990	**$144,347.**	**$ 76,519.**

5. PROPERTY, BUILDING AND EQUIPMENT:

	Cost	Accumulated depreciation	Depreciation rate
Land	$ 104,109	$ -	-
Building	759,543	70,755	30 years
Equipment			
- laboratory	448,993	132,182	10 years
- other	406,396	272,324	5 years
	$1,719,041	$475,261	

6. GOVERNMENT ASSISTANCE:

In 1989 the Board concluded and dismissed its actions as the plaintiff in a lawsuit in exchange for future government assistance to benefit the dairy industry generally. The government assistance has an estimated monetary value to the dairy industry of $2,254,000 of which $704,000 applies to the Board.

The amount of government assistance received by the Board in 1991 was $71,460 (1990 - $72,332). The amount has been applied to reduce related operating costs of the Board. The government assistance is in the form of grants conditional on the expenditure of funds by the Board on specified matters.

1980 to 1983 producers who have retired and not benefited from the government assistance are being compensated. Compensation paid to July 31, 1991 totalled $574,443 of which $121,444 was paid in 1991.

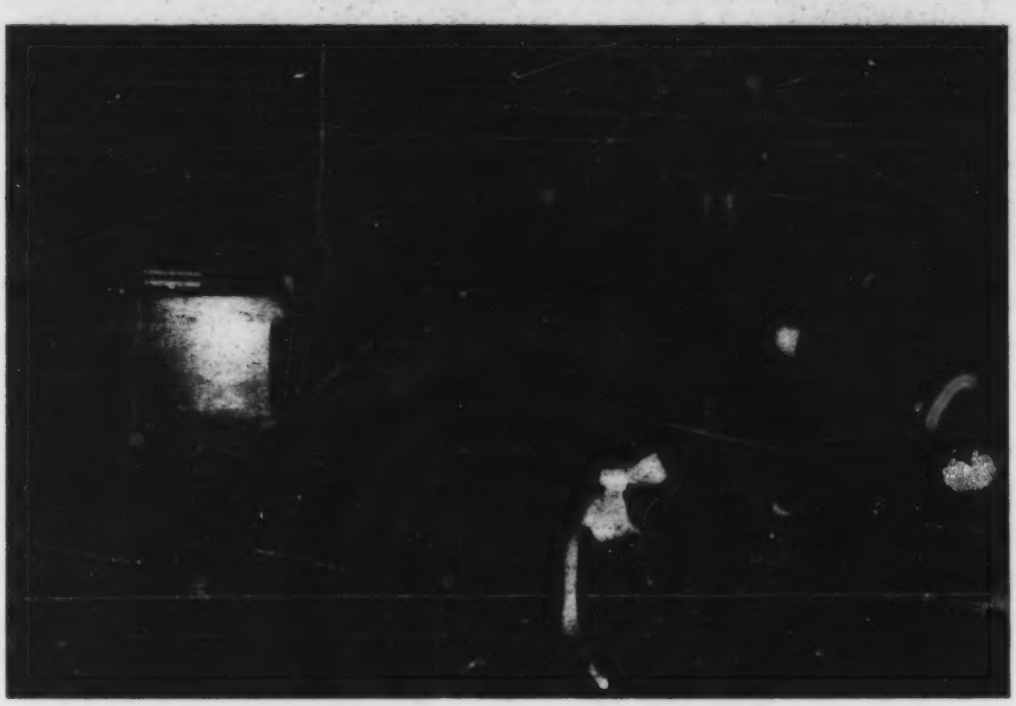
7. INCOME TAXES:

The Manitoba Milk Producers Marketing Board is an agricultural organization whose income is not payable to or otherwise available for the personal benefit of any registered producer. Accordingly, the net income of the Board is exempt from tax.

MFC Testing and Research Inc. is a taxable Canadian corporation. The potential income tax benefits associated with its operating losses of $462,302 are not recognized in the accounts because of the uncertainty of utilization. The losses are available to reduce taxable income of future years but their availability will expire after 1997.

8. COMPARATIVE FIGURES:

Certain of the 1990 comparative figures have been reclassified to conform with the current year's presentation.



PRESENTATION - RETIRING BOARD MEMBER - JOHN VAN DEN HAM AND WIFE JOAN

BOARD CHAIRMAN -
LOUIS BALCAEN, LA BROQUERIE
BOARD MEMBER DISTRICT #8